

ADOPTED 2005 BUDGET**DEPT:** GENERAL COUNTY DEBT SERVICE**UNIT NO.** 9960**FUND:** Debt Service - 0016**OPERATING AUTHORITY & PURPOSE**

Pursuant to the provisions of Section 67.05(10) of the Wisconsin Statutes, the County Board shall levy, by a recorded resolution, a direct annual irrevocable

tax sufficient to pay the interest on bond obligations as they fall due, and to pay the bond principal at maturity.

BUDGET SUMMARY			
	2003 Actual*	2004 Budget	2005 Budget
Expenditures			
Debt Service Principal (8021)	\$ 51,290,000	\$ 31,290,000	\$ 36,476,723
Debt Service Interest (8022)	23,890,407	20,248,408	20,678,110
Total Principal and Interest	\$ 75,180,407	\$ 51,538,408	\$ 57,154,833
Interest Allocation (9880)	(5,600,585)	(5,345,981)	(6,283,459)
Total Expenditures	\$ 69,579,822	\$ 46,192,427	\$ 50,871,374
Contributions			
Reserve for County Bonds (4703)	\$ 10,822,675	\$ 7,714,287	\$ 7,475,859
Total Contributions	\$ 10,822,675	\$ 7,714,287	\$ 7,475,859
Revenues			
Jail Assessment Surcharge (1315)	\$ 1,718,996	\$ 1,535,200	\$ 1,550,551
Other State Grants and Reimbursements (2299)	0	0	0
Sale of Capital Asset (4905)	2,696,000	2,162,035	3,434,000
Revenue from Project Rents (4999)	1,210,520	909,421	1,335,510
Accrued Revenue for State Trust Fund Loan Payment	0	0	845,000
Total Revenues	\$ 5,625,516	\$ 4,606,656	\$ 7,165,061
Direct Property Tax Levy**	\$ 53,131,631	\$ 33,871,484	\$ 36,230,454

* 2003 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2003 information to be reported on a basis comparable to the subsequent year budget summaries.

** County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as fungible (interchangeable).

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Summary of Bonds and Notes Outstanding

Type of Issue	True Interest Rate	Date of Bonds	Final Maturity Date	Bonds or Notes Outstanding 12/31/04	2005 Budget Requirements	
					Principal	Interest
R	5.04	10/15/93	10/01/11	\$ 14,447,238	\$ -	\$ -
A	5.65	06/15/95	12/01/14	3,250,000	325,000	182,975
A	5.80	06/15/96	12/01/15	4,125,000	375,000	237,656
AR	5.41	07/01/96	10/01/08	6,525,000	1,955,000	358,695
C	5.34	05/01/97	10/01/12	8,925,000	-	468,563
B	4.91	09/01/97	10/01/13	1,645,000	150,000	79,303
AR	4.72	09/01/97	10/01/09	4,385,000	1,340,000	208,808
C	4.77	05/01/98	10/01/13	13,000,000	-	650,000
R	4.23	03/01/99	10/01/12	25,240,000	3,270,000	1,044,163
C	4.48	05/01/99	10/01/14	24,375,000	-	1,218,750
A	4.60	05/01/99	10/01/14	4,550,000	455,000	205,205
R	4.67	05/27/99	10/01/13	1,495,000	140,000	68,550
C	5.46	03/01/00	09/01/15	29,000,000	1,300,000	1,610,725
C	4.40	04/01/01	10/01/16	24,500,000	1,000,000	1,225,000
TB	6.06	06/01/01	12/01/11	1,750,000	250,000	105,250
R	3.87	10/01/01	12/01/11	48,700,000	3,700,000	1,892,375
AR	4.47	10/01/01	12/01/11	1,015,000	145,000	43,174
R	4.08	06/01/02	09/01/11	47,200,000	7,875,000	2,300,938
C	4.20	02/01/02	08/01/17	27,000,000	875,000	1,368,938
C	3.95	02/01/03	08/01/18	24,225,000	1,725,000	1,146,750
R	3.48	07/01/03	08/01/17	100,025,000	-	3,363,805
R	2.22	10/01/03	12/01/08	26,570,000	6,895,000	579,800
C	3.72	02/01/04	08/01/19	26,950,000	1,115,000	1,382,822
Projected Outstanding Balance as of December 31, 2004 and Associated Debt Service				\$ 468,897,238	\$ 32,890,000	\$ 19,742,242
STFLP-Pensio	6.00	03/15/04	03/15/09	18,627,012	3,459,067	918,592
STFLP-Equip	EST	03/15/05	03/15/09	539,524	127,656	17,276
				19,166,536	3,586,723	935,868
				488,063,774	36,476,723	20,678,110
2005 Total Budgeted Debt Service for General Obligation Bonds					\$	52,632,242
2006 Total Budgeted Debt Service for State Trust Fund Loan						4,522,591
					\$	57,154,833

Type of Issue Explanation

A -Airport Bonds
B -Building Bonds
C -Corporate Purpose Bonds
D -Detention Facility Bonds
N -General Obligation Note
R -Refunding Bonds
AR -Airport Refunding Bonds
TB -Taxable Bonds

DEBT SERVICE CONTRIBUTIONS

Reserve for County Bonds (4703)

A contribution of \$7,475,859 from the Reserve for County Bonds is anticipated for 2005.

The 2003 General Obligation Corporate Purpose Bonds sold at a premium, which has resulted in

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\$1,999,541 in surplus bond proceeds. In accordance with Section 67.11, Wisconsin Statutes, the bond premium was applied towards the interest payment on the bonds in 2004, which was \$1,797,750. The balance of \$201,791 has been applied towards the interest payment in 2005. Accrued interest of \$46,094 will be applied towards the 2005 interest payment on the 2004 Corporate Purpose Bonds.

In addition, the County lapsed \$1,022,264 in bond proceeds at year-end 2003 to be applied towards the interest payment on the 1998-2003 Corporate Purpose Bonds.

Estimated Arbitrage Liability

The County booked \$1,186,309 at year-end 2001 to pay arbitrage penalties for the 1996-2000 bonds.

The estimated arbitrage liability amount for the 1999 bonds has been reduced to \$0. Therefore, the \$448,250 that was booked to pay the penalty will be applied towards the interest payment on the 1999 Corporate Purpose Bonds in 2005 as well as \$7,276 in bond proceeds for the years 1996-1998.

At year-end 2002, the 2001 bond proceeds had not been expended, which resulted in an estimated arbitrage penalty of \$248,678. This amount, along with the estimated amount of \$453,362 for the 2000 bonds, was updated based on current interest rates and resulted in the estimated penalty increase of \$287,955 for the 2000 bonds and \$271,125 for the 2001 bonds. Therefore \$271,125 of the \$1,022,264 that was lapsed at year-end 2003 was lapsed due to the increase in the estimated arbitrage liability for the 2001 bonds from \$248,678 to \$519,803. The lapsed bonds at year-end 2003 for the increase in the estimated arbitrage liability for the 2000 bonds was \$133,645 which reflects the limited amount of bond proceeds that could be lapsed. The balance of \$154,310 will be lapsed at year-end 2004.

Federal arbitrage rules for bond proceeds subject to rebate allow a five-year period from the closing date of the bonds to calculate rebate liability and require that the first payment be made at the end of the five-year period.

The revised total estimated arbitrage liability is \$1,329,133, which consists of a balance of the following:

Year	Total Estimated Liability	Payments To Date	Surplus Proceeds	Remaining Liability
1996	\$ 708		\$ 708	\$ -
1997	\$ 3,605		\$ 3,605	\$ -
1998	\$ 271,992	\$ 123,836	\$ 148,156	\$ -
1999	\$ 448,250		\$ 448,250	\$ -
2000	\$ 741,317			\$ 741,317
2001	\$ 519,803			\$ 519,803
2002	\$ 88,255	\$ 20,242		\$ 68,013
2003	\$ -			\$ -
Total	\$ 2,073,929	\$ 144,078	\$ 600,718	\$ 1,329,133

The total amount budgeted from the debt service reserve is \$7,475,859, which consists of \$201,791 in premium from the sale of the 2003 Corporate Purpose Bonds, \$617,494 in lapsed bond proceeds from 1997-2003 bond issues, \$455,526 in previously lapsed bond proceeds from the 1996-1999 bond issue to pay arbitrage penalties, \$2,404,953 in investment earnings from the recovery of a portion of the \$4.7 million in negative arbitrage from issuing \$100,025,000 General Obligation Refunding Bonds, Series 2003A to restructure the County's outstanding debt by refunding selected maturities from various corporate purpose issues, a premium of \$46,094 in accrued interest from the 2004 Corporate Purpose Bonds, \$250,000 from the lapsing at year-end 2004 of the Project WM003 - Electrical Distribution System to avoid arbitrage penalties since the project is currently on hold and \$3.5 million in cash from the debt service reserve.

The balance in the debt service reserve net of the 2004 Budget allocation will be approximately \$100,000.

Jail Assessment Surcharge (1315)

Jail Assessment Surcharge Revenue of \$1,550,551 is projected to be used to pay 2005 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

Sale of Capital Asset (4905)

Doyle Hospital Sale Revenues

Based on the sale agreement between Milwaukee County and Froedtert Memorial Lutheran Hospital, the County will receive annual payments over 20 years beginning in 1997 and ending in 2016 based on the net operating cash flow generated by

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Froedtert Memorial Lutheran Hospital. Based on 5.25 percent of net operating cash flow, the estimated revenue for 2005 is \$3,434,000. The budgeted amount for 2004 was \$2,162,035. Actual revenues for 2004 totaled \$3,434,000. The surplus of \$1,271,965 was deposited in Org. 1945 – Appropriation for Contingencies in compliance with the budget directive for 2003 and forward regarding unbudgeted revenues. (See Org. 1945 – Appropriation for Contingencies for detailed explanation.)

Power Plant Sale Revenue

In 1995, the County negotiated the sale of its co-generation power plant, located at the Milwaukee Regional Medical Center, to the Wisconsin Electric Power Company. Phase I of the sale related to power plant electrical generation and distribution and was finalized on December 29, 1995. Phase II of the sale, relating to all remaining portions of the power plant, including steam and chilled water generation, occurred on December 2, 1996. Sales revenues totaling \$58 million are anticipated to be realized over several years. Phase I sales revenues totaled \$7 million. Phase II revenues include \$20 million at closing, plus an added \$31 million over 16 years.

The budgeted amount for 2004 was \$2,745,769. This revenue was budgeted in the non-departmental Power Plant Revenue Budget (Org. 1900-4904).

For 2005, power plant revenues of \$2,701,324 have been budgeted in the non-departmental Power Plant Revenue Budget (Org. 1900-4904). The County is scheduled to receive power plant revenues until 2011. Listed below is the schedule for the balance of the proceeds.

<u>Year</u>	<u>Amount</u>
2005	\$2,701,324
2006	\$2,656,880
2007	\$356,880
2008	\$356,880
2009	\$356,880
2010	\$356,880
2011	\$356,880

Revenue from Project Rents (4999)

Milwaukee Kickers Soccer Club

The County issued a total of \$3,750,000 in 1994 and 1995 General Obligation Bonds for the Milwaukee Kickers Soccer Club (MKsc) for the purpose of purchasing land and developing an indoor/outdoor sports complex to be located at the Uihlein Soccer Park at 7101 West Good Hope Road in Milwaukee. The MKsc agreed to repay the County for debt service on these bonds.

On July 23, 1998, the County Board of Supervisors approved Resolution File No. 98-427, which authorized an amendment of the lease agreement between the MKsc and Milwaukee County to restructure the lease payment schedule. The new payment plan reflects the donation to MKsc of the Uihlein Soccer Park land and associated costs by establishing a level payment schedule of \$430,000 annually and extending the schedule from 2010 to 2011, beginning in 1998.

In addition, the payment dates were changed from June and December to August and February, beginning in 1999. On October 18, 2001, Milwaukee County issued \$49,925,000 in Corporate Purpose Refunding Bonds to refund a portion of the 1994, 1995 and 1996 bonds. The bonds sold at a premium, which has been budgeted under the Debt Service Revenues section. A portion of the refund savings and premium have been applied to the outstanding Milwaukee Kickers debt, which has reduced the lease payment from \$430,000 to \$424,000 for 2003 and future years.

The payment amount for 2005 is \$424,000.

Marcus Center Renovation

The County issued a total of \$5,802,000 in General Obligation Bonds during 1994 and 1995 for the purpose of renovating the interior of the Marcus Center for the Performing Arts. The Marcus Center is undertaking a private fund-raising effort to repay the County for bonds issued for this \$12.7 million project. Based on information provided by the Marcus Center, current pledges are sufficient to repay bonds issued by Milwaukee County for this project. Reimbursement for project debt service in 2004 totals \$539,515. The budgeted amount for 2003 totaled \$559,978. For 2004, the County forgave \$400,000 of the \$539,515 debt service

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amount. Therefore, the reimbursement amount for 2004 was \$139,515.

The County will receive the full amount of \$519,412 for 2005.

Intergovernmental Cooperation Council

The County issued \$2,500,000 General Obligation Building Bonds, Series 1997A on July 17, 1997 on behalf of the Intergovernmental Cooperation Council (ICC) for the development of an animal control shelter. The County and ICC have developed a final agreement as required for the release of the bond proceeds to the ICC. The ICC will repay the County for actual debt service costs on this issue. Reimbursement for debt service costs for 2005 totals \$229,303. This compares to \$225,603 in 2004.

Private Geographic Members (PGMs)

In 2003, Milwaukee County issued general obligation bonds to finance Project WG008 – Milwaukee County Grounds Roadway Rehabilitation. Milwaukee County Ordinance 98.01 states that the private geographic members shall share in the cost of improvements at the County Grounds on an equitable basis. The PGMs consist of Milwaukee County (DHHS – Behavioral Health Division), Froedtert Hospital, Children's Hospital, Medical College of Wisconsin, Curative Rehabilitation and Blood Center of Southeastern Wisconsin.

The cost allocations for improvements are based on a cost sharing formula that is determined by the square footage of building area that the geographic members bear to the total gross square feet of the building area of all geographic members combined. The square footage is evaluated annually and is expressed as a percentage. Presently, the allocation for the County is 17.8 percent and the combined percentage for the remaining PGMs is 82.2 percent. Therefore, 82.2 percent of the debt service costs for the roadway improvements will be paid by the remaining PGMs. The budgeted amount for 2005 is \$163,066.

State Trust Fund Loan Program

In 2004, Milwaukee County borrowed \$539,524 from the State Trust Fund Loan Program to finance various equipment items. The County borrowed an

additional \$18,627,012 to finance a portion of its contribution variance. The amortization period is four years for the equipment loan and five years for the pension loan. Principal and interest amounts are \$3,586,723 and \$935,868, respectively, for 2005. These amounts are included in the account 8021 and 8022 for the payment of principal and interest. The total loan payment for 2005 is \$4,522,592. To minimize the impact on the 2005 Budget \$845,000 was accrued for the total initial interest payment for the borrowings.

DEBT SERVICE LEVY LIMITS

Effective August 12, 1993, Section 59.605, Wisconsin Statutes imposed a property tax rate limit for Wisconsin counties. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual tax rate adopted for 1993 budget purposes. The County cannot exceed these operating levy rate and debt levy rate limits unless one or more conditions apply, as described below. The statute establishes specific penalties for failure to meet the tax rate limit requirements. Among the penalties for exceeding the tax rate limits are reductions in State shared revenues and transportation aids.

The County adopted a debt levy rate of approximately \$1.42 per \$1,000 of equalized value as part of the 1993 Budget. The conditions under which the debt service rate may be increased include: (1) a referendum is held that approves the debt issuance; (2) the County Board of Supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; (3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of 1993 Wisconsin Act 16 (August 12, 1993); (4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.5(7)(f); (5) the debt is issued to fund or refund outstanding municipal obligations; or (6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board.

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Org. No.	Capitalized and Operating Interest Expense for Proprietary Fund Departments	2005 Amount
1162	DAS-Information Management Services Division	\$ 752,249
5041	DPPI-Airport Divison	1,848,376
5300	DPPI-Fleet Maintenance Division	720,046
5605	Milwaukee County Transit/Paratransit Services	1,483,548
5725	DPPI-Facilities Management Division	1,123,021
6901	DHHS-Behavioral Health Division	356,219
	Subtotal	\$ 6,283,459
1200-1885	Capitalized Interest for Proprietary Fund Departments	0
	Total	\$ 6,283,459